

STATE OF ILLINOIS
HANCOCK/MCDONOUGH
REGIONAL OFFICE OF EDUCATION # 26
FINANCIAL AUDIT
(In Accordance with the Single Audit Act and OMB Circular A-133)
For the Year Ended June 30, 2007

Performed as Special Assistant Auditors
For the Auditor General, State of Illinois

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HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
OFFICIALS

Regional Superintendent

Mr. Gary Eddington
(Current and during audit period)

Assistant Regional Superintendent

Mr. John Meixner
(Current and during audit period)

Offices are located at:

130 South LaFayette Street
Suite 200
Macomb, Illinois 61455

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
COMPLIANCE REPORT SUMMARY

The compliance audit testing performed in this audit was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

AUDITORS' REPORTS

The auditors' reports on compliance and on internal controls do not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit Findings	2	2
Repeated Audit Findings	1	2
Prior recommendations implemented or not repeated	1	2

Details of audit findings are presented in a separately tabbed report section.

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
<i>Findings (Government Auditing Standards)</i>		
07-1	15	Controls over financial statement preparation
07-2	17	Lack of cost allocation plan
<i>Findings and Questioned Costs (Federal Compliance)</i>		
07-2	17	Lack of cost allocation plan
<i>Prior Audit Findings not Repeated (Government Auditing Standards)</i>		
06-1	23	Controls Over Compliance with Laws and Regulations

An informal exit conference was held via telephone on December 19, 2007. Those involved included Gary Eddington, Regional Superintendent, Betty Martin, Bookkeeper, and Mark Reinken, auditor. The findings and audit process in general were discussed. Responses to the recommendations were provided by Gary Eddington on January 3, 2008.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
FINANCIAL STATEMENT REPORT
SUMMARY

The audit of the accompanying basic financial statements of Hancock/McDonough Regional Office of Education #26 was performed by Ginoli & Company Ltd.

Based on their audit, the auditors expressed an unqualified opinion on the Hancock/McDonough Regional Office of Education #26's basic financial statements.

GINOLI & COMPANY LTD

Certified Public Accountants and Business Consultants

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INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hancock/McDonough Regional Office of Education #26, as of and for the year ended June 30, 2007, which collectively comprise the Hancock/McDonough Regional Office of Education #26's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Regional Office of Education #26's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hancock/McDonough Regional Office of Education #26, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 15, 2008 on our consideration of the Hancock/McDonough Regional Office of Education #26's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 24 through 31 and Illinois Municipal Retirement Fund Schedule of Funding Progress on page 62 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hancock/McDonough Regional Office of Education #26's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and Schedule of Disbursements to School District Treasurers and Others are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Hancock/McDonough Regional Office of Education #26. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, Schedule of Disbursements to School District Treasurers and Others, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

GINOLI & COMPANY LTD

GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
August 15, 2008

**GINOLI & COMPANY LTD****Certified Public Accountants and Business Consultants**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hancock/McDonough Regional Office of Education #26, as of and for the year ended June 30, 2007, which collectively comprise the Hancock/McDonough Regional Office of Education #26's basic financial statements and have issued our report thereon dated August 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hancock/McDonough Regional Office of Education #26's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing our opinion on the effectiveness of Hancock/McDonough Regional Office of Education #26's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Regional Office of Education #26's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Hancock/McDonough Regional Office of Education #26's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Hancock/McDonough Regional Office of Education #26's financial statements that is more than inconsequential will not be prevented or detected by Hancock/McDonough Regional Office of Education #26's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, 07-1 and 07-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Hancock/McDonough Regional Office of Education #26's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies noted above, we consider item 07-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hancock/McDonough Regional Office of Education #26's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hancock/McDonough Regional Office of Education #26's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Hancock/McDonough Regional Office of Education #26's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, others within the organization, Illinois State Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

GINOLI & COMPANY LTD

GINOLI & COMPANY LTD
Certified Public Accountants

Peoria, Illinois
August 15, 2008



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of the Hancock/McDonough Regional Office of Education #26 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Hancock/McDonough Regional Office of Education #26's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Hancock/McDonough Regional Office of Education #26's management. Our responsibility is to express an opinion on the Hancock/McDonough Regional Office of Education #26's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hancock/McDonough Regional Office of Education #26's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Hancock/McDonough Regional Office of Education #26's compliance with those requirements.

In our opinion, the Hancock/McDonough Regional Office of Education #26 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 07-2.

Internal Control Over Compliance

The management of the Hancock/McDonough Regional Office of Education #26 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Hancock/McDonough Regional Office of Education #26's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Regional Office of Education #26's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-2 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in a more than remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Hancock/McDonough Regional Office of Education #26's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Hancock/McDonough Regional Office of Education #26's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, others within the organization, Illinois State Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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Certified Public Accountants

Peoria, Illinois
August 15, 2008

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified
(unqualified, qualified, adverse, disclaimer)

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> X </u> yes	<u> </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> X </u> yes	<u> </u> none reported

Type of auditor's report issued on compliance for major programs: unqualified
(unqualified, qualified, adverse, disclaimer)

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? X yes no

HANCOCK/MCDONOUGH COUNTIES REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007
(CONTINUED)

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.181	Special Education - Grants for Infants and Families with Disabilities
84.196A	McKinney Education for Homeless Children

Dollar threshold used to distinguish between

Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee yes X no n/a

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS
For The Year Ended June 30, 2007

Finding No. 07-1 - Controls Over Financial Statement Preparation

Criteria/Specific Requirement:

The Hancock/McDonough Regional Office of Education #26 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

Condition:

The Regional Office of Education #26 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the accrual basis for disbursements and the cash basis for receipts. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, and deferred revenues.
- The Regional Office did not maintain adequate internal controls over the processing of all financial transactions, and numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.

Effect:

Management or employees in the normal course of performing their assigned functions may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

Cause:

According to Regional Office officials, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements.

HIANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS
For The Year Ended June 30, 2007

Recommendation:

As part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education #26 should implement a comprehensive preparation and /or review procedure to ensure that the financial statements, including note disclosures, are complete and accurate. Such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

Management's Responses:

The Regional Office of Education #26 understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office accepts the degree of risk associated with this condition because the added expense of seeking additional accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS
For The Year Ended June 30, 2007

Finding No. 07-2 – Lack of cost allocation plan (Repeat of prior year findings: 06-2, 05-2, 04-3, 03-6)

Federal Program Name – (a) Special Education – Grants for Infants and Families with Disabilities (b) McKinney Education for Homeless Children

Project No. – (a) 711G2072721 (b) 07-4920-00 and 06-4920-00

CFDA No. – (a) 84.181 (b) 84.196A

Passed Through – (a) Illinois Department of Human Services (b) Illinois State Board of Education

Federal Agency – (a) U.S. Department of Education (b) U.S. Department of Education

Criteria/Specific Requirement:

Grants, cost reimbursement contracts and other agreements with the Federal Government (collectively known as Federal Awards) should bear their fair share of costs recognized under principles established by the federal Office of Management and Budget (OMB). Costs are allocable to Federal Awards if the goods or services involved are chargeable or assignable to the award in accordance with the relative benefits received. Where an accumulation of indirect costs will ultimately result in charges to a Federal Award, a cost allocation plan is required as described in Attachments C, D and E of OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*.

Condition:

The Regional Office of Education #26 does not maintain a cost allocation plan to allocate indirect costs as in accordance with OMB Circular A-87. The Regional Office of Education #26 invoices the various grants and programs it administers for central service activities, including support salaries and related benefits, accounting and secretarial services, and space rent based on the grants' budgeted costs, (rather than as part of a Cost Allocation Plan). Such salaries and benefits are allowable expenditures under OMB Circular A-87. However, where employees work on multiple activities or cost objectives, a distribution of their salaries or wages is required to be documented in accordance with the provisions of OMB Circular A-87 or be included in the ROE's cost allocation plan. Rent costs are also an allowable expenditure, subject to limitations included in OMB Circular A-87.

Questioned Costs:

The amount of questioned costs cannot be determined without preparing a cost allocation plan.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION II - FINANCIAL STATEMENT FINDINGS
For The Year Ended June 30, 2007

Context:

The Regional Office of Education allocated a total of \$37,165 of indirect costs to the above programs. While these costs were approved in the grant budgets, without documentation of the basis for, and rationale behind, the allocations, the amounts over- or under-charged to the programs cannot be readily determined. Based on the total amount of allocated costs charged to the programs, any amount deemed to be over-charged to the Award most likely would be considered immaterial.

Effect:

The Regional Office of Education #26 is not able to determine if the amount of central service activities charged to the Federal Award represent the grant's "fair share" of costs recognized under principles required by OMB Circular A-87.

Cause:

The Regional Office of Education #26 determined the amount of costs to be allocated to the grant programs based on amounts allowable in grant budgets.

Recommendation:

The Regional Office of Education #26 should develop a cost allocation plan in accordance with OMB Circular A-87 which addresses allowable costs to all applicable programs.

Management's Response:

The Regional Office of Education #26 completed a time study in November of 2007. This time study ran for one year and required all employees to record the activity in which they were engaged at four different times of the day. This was done on a daily basis. Entries were recorded on an Excel spreadsheet which calculated the percentage of time spent working in each of the grants administered by the Regional Office. One of the "tabs" of each employee's spreadsheet was a "total" sheet that accumulated all the entries and posted an up-to-date summary of the percentages of time spent working in each grant. Special attention was paid to those employees working in multiple grants, as we knew those were of most interest to our auditor. The data gathered from this activity is now used to assist with the budget planning our grant writers perform.

In addition, it is our plan to further document the activity of those working in multiple grants by requiring those employees to maintain a log of hours spent working in each grant. This will be implemented with the start of the new calendar year.

Regional Office of Education #26 is the fiscal agent for multiple grants, both federal and state in origin. Regional Office of Education #26 charges each grant an amount for rent that reflects that particular grant's use of the fiscal agent. We believe such charges are reasonable and are in the best interest of the grant.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION III – FEDERAL AWARD FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

INSTANCES OF NON COMPLIANCE:

1. FINDING 07-2 – Lack of cost allocation plan (finding details on pages 17-18)

SIGNIFICANT DEFICIENCIES:

1. FINDING 07-2 – Lack of cost allocation plan (finding details on pages 17-18)

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

Finding No. 07-1 Controls over Financial Statement Preparation

Condition:

The Regional Office of Education #26 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the accrual basis for disbursements and the cash basis for receipts. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, and deferred revenues.
- The Regional Office did not maintain adequate internal controls over the processing of all financial transactions, and numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.

Corrective Action Plan:

The Regional Office of Education #26 understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office accepts the degree of risk associated with this condition because the added expense of seeking additional accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region.

ANTICIPATED DATE OF COMPLETION:

Undetermined

CONTACT PERSON:

Gary Eddington, Regional Superintendent

HIANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

Finding No. 07-2 – Lack of cost allocation plan

Federal Program Name – (a) Special Education – Grants for Infants and Families with Disabilities (b) McKinney Education for Homeless Children

Project No. – (a) 711G2072721 (b) 07-4920-00 and 06-4920-00

CFDA No. - (a) 84.181 (b) 84.196A

Passed Through – (a) Illinois Department of Human Services (b) Illinois State Board of Education

Federal Agency – (a) U.S. Department of Education (b) U.S. Department of Education

Condition:

The Regional Office of Education #26 does not maintain a cost allocation plan to allocate indirect costs as in accordance with OMB Circular A-87. The Regional Office of Education #26 invoices the various grants and programs it administers for central service activities, including support salaries and related benefits, accounting and secretarial services, and space rent based on the grants' budgeted costs, (rather than as part of a Cost Allocation Plan). Such salaries and benefits are allowable expenditures under OMB Circular A-87. However, where employees work on multiple activities or cost objectives, a distribution of their salaries or wages is required to be documented in accordance with the provisions of OMB Circular A-87 or be included in the ROE's cost allocation plan. Rent costs are also an allowable expenditure, subject to limitations included in OMB Circular A-87.

Corrective Action Plan:

The Regional Office of Education #26 completed a time study in November of 2007. This time study ran for one year and required all employees to record the activity in which they were engaged at four different times of the day. This was done on a daily basis. Entries were recorded on an Excel spreadsheet which calculated the percentage of time spent working in each of the grants administered by the Regional Office. One of the "tabs" of each employee's spreadsheet was a "total" sheet that accumulated all the entries and posted an up-to-date summary of the percentages of time spent working in each grant. Special attention was paid to those employees working in multiple grants, as we knew those were of most interest to our auditor. The data gathered from this activity is now used to assist with the budget planning our grant writers perform.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

In addition, it is our plan to further document the activity of those working in multiple grants by requiring those employees to maintain a log of hours spent working in each grant. This will be implemented with the start of the new calendar year.

Regional Office of Education #26 is the fiscal agent for multiple grants, both federal and state in origin. Regional Office of Education #26 charges each grant an amount for rent that reflects that particular grant's use of the fiscal agent. We believe such charges are reasonable and are in the best interest of the grant.

ANTICIPATED DATE OF COMPLETION:

December 31, 2008

CONTACT PERSON:

Gary Eddington, Regional Superintendent

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For Year Ended June 30, 2007

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
06-1	A. Public Act 95-496 repealed the requirements of 105 ILCS 5/3- 14.11	Resolved
	B. Public Act 95-496 repealed the requirements of 105 ILCS 5/3-14.5	Resolved
	C. Submit quarterly reports to county board as required under 105 ILCS 5/3-5	Resolved
06-2	Lack of cost allocation plan	Repeated.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26

MANAGEMENT'S DISCUSSION AND ANALYSIS

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

The Hancock/McDonough Regional Office of Education #26 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information with the Agency's financial statements, which follow.

2007 Financial Highlights

General Fund revenues decreased from \$690,785 in fiscal year 2006 (FY 06) to \$674,115 in fiscal year 2007 (FY 07). The General Fund expenditures also decreased from \$749,043 in FY 06 to \$724,584 in FY 07. The Regional Office experienced a decrease in the General Fund balance from \$221,550 at the beginning of FY 07 to a General Fund balance of \$171,081 at the end of FY 07.

General Fund expenditures decreased due to lowered revenues, therefore lowered salary expenditures resulted.

Using This Annual Report

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Office's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Regional Office of Education #26 as a whole and present an overall view of the Office's finances.
- The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Office's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Supplementary information further explains and supports the financial statements with a comparison of the Office's detailed information for each category of funds and also provides detailed information about the non-major funds.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Reporting the Regional Office of Education #26 as a Whole

The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the Regional Office of Education #26 as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Hancock/McDonough Regional Office of Education #26's assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Office's net assets and how they have changed. Net assets—the difference between the assets and liabilities— are one way to measure the Office's health or position.

- Over time, increases or decreases in the net assets can be an indicator of whether the financial position is improving or deteriorating, respectively.
- To assess the Office's overall health, additional non-financial factors, such as new laws, rules, regulations, and actions by officials at the state level need to be considered.

Fund Financial Statements

The fund financial statements provided detailed information about the Regional Office's funds, focusing on its most significant or "major" funds. Funds are accounting devices which allow the tracking of specific sources of funding and spending on particular programs. Some funds are required by State law. The Hancock/McDonough Regional Office of Education #26 established other funds to control and manage money for particular purposes.

- 1) Governmental funds account for a majority of the Office's services. These focus on how cash and other financial assets that can be readily converted to cash flow in and out and balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Office's programs. The Office's governmental funds include: the General Fund and the Special Revenue Funds.

The governmental fund's required financial statements include a Balance Sheet and a Statement of Revenue, Expenditures and Changes in Fund Balances.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

- 2) Proprietary funds account for services for which the Hancock/McDonough Regional Office of Education #26 charges fees under a cost-reimbursement method. These fees cover the costs of certain services and workshops it provides.

The proprietary fund's required financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows.

- 3) Fiduciary funds account for services for which the Hancock/McDonough Regional Office of Education #26 acts as fiscal agent for individuals and private or governmental organizations.

The fiduciary funds required financial statements include a Statement of Fiduciary Net Assets.

A summary reconciliation between the government-wide financial statements and the fund financial statements are included after each fund financial statement.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. The Hancock/McDonough Regional Office of Education #26's net assets at the end of fiscal year 2006 totaled \$699,072. At the end of fiscal year 2007, the net assets were \$656,474. The analysis that follows provides a summary of the Office's net assets at June 30, 2007 and 2006.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

CONDENSED STATEMENT OF NET ASSETS
June 30, 2007 and 2006

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
ASSETS						
Current Assets	\$717,315	\$736,213	\$718,813	\$545,943	\$1,436,128	\$1,282,156
Capital Assets, net of depreciation	97,587	63,338	55,235	56,367	152,822	119,705
TOTAL ASSETS	<u>\$814,902</u>	<u>\$799,551</u>	<u>\$774,048</u>	<u>\$602,310</u>	<u>\$1,588,950</u>	<u>\$1,401,861</u>
LIABILITIES						
Current Liabilities	\$208,763	\$151,163	\$697,841	\$530,183	\$ 906,604	\$ 681,346
Compensated absences	25,872	21,443	-	-	25,872	21,443
TOTAL LIABILITIES	<u>\$234,635</u>	<u>\$172,606</u>	<u>\$697,841</u>	<u>\$530,183</u>	<u>\$ 932,476</u>	<u>\$ 702,789</u>
NET ASSETS						
Investments in capital assets, net of related debt	\$ 97,587	\$ 63,338	\$ 55,235	\$ 56,367	\$ 152,822	\$ 119,705
Unrestricted	452,190	537,334	20,972	15,760	473,162	553,094
Restricted for teacher professional development	30,490	26,273	-	-	30,490	26,273
TOTAL NET ASSETS	<u>\$580,267</u>	<u>\$626,945</u>	<u>\$ 76,207</u>	<u>\$ 72,127</u>	<u>\$ 656,474</u>	<u>\$ 699,072</u>

Net assets related to the Teacher Institute Fund are considered restricted for teacher professional development.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

CHANGES IN NET ASSETS

For the Years Ended June 30, 2007 and 2006

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 11,196	\$ 15,040	\$942,300	\$905,190	\$ 953,496	\$ 920,230
Operating grants & contributions	2,541,510	2,081,520	-	-	2,541,510	2,081,520
General Revenues:						
Local Sources	506,641	534,397	-	-	506,641	534,397
On-behalf payments	233,031	219,167	-	-	233,031	219,167
Investment income	7,045	12,948	713	-	7,758	12,948
Total Revenues	<u>\$3,299,423</u>	<u>\$2,863,072</u>	<u>\$943,013</u>	<u>\$905,190</u>	<u>\$4,242,436</u>	<u>\$3,768,262</u>
Expenses						
Salaries	\$1,347,981	\$1,123,126	\$ 16,400	\$ 16,000	\$1,364,381	\$1,139,126
Benefits	439,650	376,897	3,106	3,078	442,756	379,975
Purchased Services	959,978	890,452	20,087	18,104	980,065	908,556
Supplies and materials	147,598	83,029	894,681	5,421	1,042,279	88,450
Materials for resale	-	-	-	869,835	-	869,835
Depreciation	22,318	15,625	4,659	4,151	26,977	19,776
Capital Outlay	-	-	-	-	-	-
Bad debts expense	-	-	-	-	-	-
Other objects	-	454	-	-	-	454
Transfers-payments to other governmental units	195,545	195,850	-	-	195,545	195,850
On-behalf payments	<u>233,031</u>	<u>219,167</u>	<u>-</u>	<u>-</u>	<u>233,031</u>	<u>219,167</u>
Total Expenses	<u>\$3,346,101</u>	<u>\$2,904,600</u>	<u>\$938,933</u>	<u>\$916,589</u>	<u>\$4,285,034</u>	<u>\$3,821,189</u>
Change in net assets	\$ (46,678)	\$ (41,528)	\$ 4,080	\$ (11,399)	\$ (42,598)	\$ (52,927)
Net assets-beginning	<u>626,945</u>	<u>668,473</u>	<u>72,127</u>	<u>83,526</u>	<u>699,072</u>	<u>751,999</u>
Net assets-ending	<u>\$ 580,267</u>	<u>\$ 626,945</u>	<u>\$ 76,207</u>	<u>\$ 72,127</u>	<u>\$ 656,474</u>	<u>\$ 699,072</u>

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Governmental Activities

For FY 07, revenues for governmental activities were \$3,299,423 and expenses were \$3,346,101. The Regional Office of Education #26 determined that the increase in expense is due to higher salaries, benefits, and travel costs.

Business-Type Activities

Revenue for the Hancock/McDonough Regional Office of Education #26's business-type activities and expenses combined for a balance of \$4,080.

Financial Analysis of the Regional Office of Education #26 Funds

As previously noted, the ROE #26 uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The Agency's Governmental Funds report combined fund balances were \$508,552.

Governmental Fund Highlights

- The number of dollars coming from the State of Illinois to the Regional Office of Education #26 for staff development programs has continued to decrease, impacting the number of programs that can be offered.
- The state aid accrued to the Regional Office of Education Safe School/Alternative School Programs has diminished due to decreases in enrollment.
- County support for the Regional Office of Education #26 will increase to \$82,697 beginning in December of 2007.

Budgetary Highlights

The Office annually adopts a budget on a basis consistent with U.S. generally accepted accounting principles when required by the granting agency. The Illinois State Board of Education reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the Illinois State Board of Education for final approval. The budget may be amended during the year utilizing procedures prescribed by the Illinois State Board of Education. Schedules showing the budget amounts compared to the Office's actual financial activity are included in supplementary information of this report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Capital Assets

The value of capital assets increased during FY 2007 due to the purchase of 10 desktop computers (\$13,354) for the Macomb Alternative/Safe School. The Preschool for All Grant necessitated the purchase of new equipment for instruction of the students. Laptop computers were purchased for the certificated staff employed by the Preschool for All Grant. The purchase of a new server for the Macomb office of ROE 26 was necessitated by phasing out the aged machine previously in use.

Economic Factors and Next Year's Budget

At the time these financial statements were prepared and audited, the Regional Office of Education #26 was aware of several existing circumstances that could affect its financial condition in the future:

- Regional Office of Education # 26 has won a 5 year Teaching American History Grant. The first three years of this grant will fund activities with approximately \$960,000. The final two years of the grant funding will bring the grand total to approximately \$1.5 million.
- As the education of preschool students is a priority of state government, it is assumed that the Preschool for All Grant will be continued at current levels of funding.
- The County Boards of Hancock and McDonough Counties have increased their funding by 4%.
- The Foundation Level for general state aid is anticipated to increase slightly.
- The Regional Office of Education # 26 has been able to maintain an office in Carthage, IL by relocating the office (as required) to a much smaller facility.
- The rising cost of energy will challenge all ROE programs that depend on driving to maintain their levels of service.
- The rent at the Macomb Regional Office of Education has been nearly doubled by the McDonough County Building Commission.
- The Regional Office of Education is required to maintain a high level of liability insurance, which increases in cost yearly.
- As costs for consumers rise (energy, maintenance, etc.), there will be increasing demands for employees to have raises that match or exceed past practices. These will be difficult to honor as both counties encompassed by Regional Office of Education # 26 are burdened with considerable financial challenges.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Contacting the Regional Office's Financial Management

This financial report is designed to provide the Regional Office's citizens, taxpayers, clients, and other constituents with a general overview of its finances and demonstrate the accountability for the money it receives. If the reader has questions concerning this report or needs additional financial information, please contact the Regional Superintendent of the Regional Office of Education #26, 130 South Lafayette Street, Suite 200, Macomb, IL 61455.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26

BASIC FINANCIAL STATEMENTS

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
STATEMENT OF NET ASSETS
JUNE 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 694,513	\$ 24,095	\$ 718,608
Inventory	-	694,277	694,277
Due from other governments	22,802	441	23,243
Total current assets	<u>\$ 717,315</u>	<u>\$ 718,813</u>	<u>\$ 1,436,128</u>
NONCURRENT ASSETS			
Capital assets, net of depreciation	<u>97,587</u>	<u>55,235</u>	<u>152,822</u>
TOTAL ASSETS	<u>\$ 814,902</u>	<u>\$ 774,048</u>	<u>\$ 1,588,950</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 76,842	\$ 693,746	\$ 770,588
Due to other governments	11,292	-	11,292
Deferred revenue	120,629	4,095	124,724
Total current liabilities	<u>\$ 208,763</u>	<u>\$ 697,841</u>	<u>\$ 906,604</u>
NONCURRENT LIABILITIES			
Compensated absences	<u>25,872</u>	<u>-</u>	<u>25,872</u>
TOTAL LIABILITIES	<u>\$ 234,635</u>	<u>\$ 697,841</u>	<u>\$ 932,476</u>
NET ASSETS			
Investments in capital assets, net of related debt	\$ 97,587	\$ 55,235	\$ 152,822
Unrestricted	452,190	20,972	473,162
Restricted for teacher professional development	<u>30,490</u>	<u>-</u>	<u>30,490</u>
TOTAL NET ASSETS	<u>\$ 580,267</u>	<u>\$ 76,207</u>	<u>\$ 656,474</u>

The notes to the financial statements are an integral part of this statement.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

FUNCTIONS/PROGRAMS PRIMARY GOVERNMENT	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instructional Services:						
Salaries	\$ 1,347,981	\$ -	\$ 1,203,622	\$ (144,359)	\$ -	\$ (144,359)
Benefits	439,650	-	314,937	(124,713)	-	(124,713)
Purchased services	959,978	9,971	659,324	(290,683)	-	(290,683)
Supplies and materials	147,398	1,225	124,074	(22,299)	-	(22,299)
Depreciation	22,318	-	-	(22,318)	-	(22,318)
Capital outlay	-	-	44,008	44,008	-	44,008
Other objects	-	-	-	-	-	-
Transfers - payments to other governmental units	195,545	-	195,545	-	-	-
Administrative:						
On-behalf payments	233,031	-	-	(233,031)	-	(233,031)
Total Governmental Activities	\$ 3,346,101	\$ 11,196	\$ 2,541,510	\$ (793,395)	\$ -	\$ (793,395)
Business-type Activities:						
Other	\$ 938,933	\$ 942,300	\$ -	\$ -	\$ 3,367	\$ 3,367
Total Business-type Activities	\$ 938,933	\$ 942,300	\$ -	\$ -	\$ 3,367	\$ 3,367
Total Primary Government	\$ 4,285,034	\$ 953,496	\$ 2,541,510	\$ (793,395)	\$ 3,367	\$ (790,028)
General Revenues:						
Local sources		\$ 506,641		\$ 506,641	\$ -	\$ 506,641
On-behalf payments		233,031		233,031	-	233,031
Investment income		7,045		7,045	713	7,758
Total General Revenues		\$ 746,717		\$ 746,717	\$ 713	\$ 747,430
Change in net assets		\$ (46,678)		\$ (46,678)	\$ 4,080	\$ (42,598)
Net Assets - beginning of year		626,945		626,945	72,127	699,072
Net Assets - end of year		\$ 580,267		\$ 580,267	\$ 76,207	\$ 656,474

The notes to the financial statements are an integral part of this statement.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007

	General Fund	Education Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 193,875	\$ 439,786	\$ 60,852	\$ 694,513
Due from other funds	33	39,720	-	39,753
Due from other governments	-	22,802	-	22,802
TOTAL ASSETS	<u>\$ 193,908</u>	<u>\$ 502,308</u>	<u>\$ 60,852</u>	<u>\$ 757,068</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 22,794	\$ 54,048	\$ -	\$ 76,842
Due to other funds	33	38,979	741	39,753
Due to other governments	-	11,292	-	11,292
Deferred revenue	-	93,845	26,784	120,629
Total liabilities	<u>\$ 22,827</u>	<u>\$ 198,164</u>	<u>\$ 27,525</u>	<u>\$ 248,516</u>
FUND BALANCE				
Unreserved				
General fund	\$ 171,081	\$ -	\$ -	\$ 171,081
Special revenue funds	-	304,144	33,327	337,471
Total fund balance	<u>\$ 171,081</u>	<u>\$ 304,144</u>	<u>\$ 33,327</u>	<u>\$ 508,552</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 193,908</u>	<u>\$ 502,308</u>	<u>\$ 60,852</u>	<u>\$ 757,068</u>

The notes to the financial statements are an integral part of this statement.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 GOVERNMENTAL FUNDS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2007

Total fund balances - governmental funds	\$	508,552
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Amounts reported for governmental activities in the Statement of Net
 Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		97,587
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(25,872)</u>
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Net assets of governmental activities	\$	<u>580,267</u>
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The notes to the financial statements are an integral part of this statement.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Education Fund	Nonmajor Special Revenue Funds	Total Governmental Funds
REVENUES				
State sources	\$ -	\$ 1,603,905	\$ 2,600	\$ 1,606,505
Federal sources	-	935,005	-	935,005
Local sources	484,034	25,059	15,789	524,882
On-behalf payments	190,081	42,950	-	233,031
Total revenues	\$ 674,115	\$ 2,606,919	\$ 18,389	\$ 3,299,423
EXPENDITURES				
Instructional services:				
Salaries	\$ 121,655	\$ 1,221,897	\$ -	\$ 1,343,552
Benefits	116,995	322,655	-	439,650
Purchased services	273,977	673,377	12,624	959,978
Supplies and materials	10,794	135,531	1,273	147,598
Transfers - payments to other governmental units	-	195,545	-	195,545
Capital outlay	11,082	45,485	-	56,567
On-behalf payments	190,081	42,950	-	233,031
Total expenditures	\$ 724,584	\$ 2,637,440	\$ 13,897	\$ 3,375,921
Revenues over (under) expenditures	\$ (50,469)	\$ (30,521)	\$ 4,492	\$ (76,498)
Other financing sources (uses)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ (50,469)	\$ (30,521)	\$ 4,492	\$ (76,498)
FUND BALANCE, BEGINNING OF YEAR	221,550	334,665	28,835	585,050
FUND BALANCE, END OF YEAR	\$ 171,081	\$ 304,144	\$ 33,327	\$ 508,552

The notes to the financial statements are an integral part of this statement.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Net change in fund balances	\$ (76,498)
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Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures
however, in the Statement of Activities the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense.

Capital outlay	\$ 56,567	
Depreciation	<u>(22,318)</u>	34,249

Certain expenses in the Statement of Activities do not require the
use of current financial resources and, therefore, are not
reported as expenditures in governmental funds

	<u>(4,429)</u>
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Change in net assets of governmental activities	<u>\$ (46,678)</u>
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The notes to the financial statements are an integral part of this statement.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2007

	Business-type Activities Enterprise Funds		
	Western Area Purchasing Co-Op	Nonmajor Enterprise Funds	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 16,074	\$ 8,021	\$ 24,095
Due from other governments	-	441	441
Inventory	694,277	-	694,277
Total current assets	<u>\$ 710,351</u>	<u>\$ 8,462</u>	<u>\$ 718,813</u>
Noncurrent assets			
Equipment, net	\$ 5,364	\$ 7,371	\$ 12,735
Building, net	42,500	-	42,500
Total noncurrent assets	<u>\$ 47,864</u>	<u>\$ 7,371</u>	<u>\$ 55,235</u>
Total Assets	<u><u>\$ 758,215</u></u>	<u><u>\$ 15,833</u></u>	<u><u>\$ 774,048</u></u>
Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 693,746	\$ -	\$ 693,746
Deferred revenue	4,095	-	4,095
Total liabilities	<u>\$ 697,841</u>	<u>\$ -</u>	<u>\$ 697,841</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 47,864	\$ 7,371	\$ 55,235
Unrestricted	12,510	8,462	20,972
Total Net Assets	<u><u>\$ 60,374</u></u>	<u><u>\$ 15,833</u></u>	<u><u>\$ 76,207</u></u>

The notes to the financial statements are an integral part of this statement.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities Enterprise Funds		
	Western Area Purchasing Co-Op	Nonmajor Enterprise Funds	Totals
Operating Revenues			
Charges for services	\$ 933,113	\$ 9,187	\$ 942,300
Operating Expenses			
Salaries	\$ 16,400	\$ -	\$ 16,400
Benefits	3,106	-	3,106
Purchased services	13,472	6,615	20,087
Supplies and materials	888,441	6,240	894,681
Materials for resale	-	-	-
Depreciation	2,239	2,420	4,659
Total operating expenses	\$ 923,658	\$ 15,275	\$ 938,933
Net Operating Income	\$ 9,455	\$ (6,088)	\$ 3,367
Nonoperating Revenue:			
Interest income	713	-	713
Change in Net Assets	\$ 10,168	\$ (6,088)	\$ 4,080
Net Assets, Beginning of year	50,206	21,921	72,127
Net Assets, End of year	\$ 60,374	\$ 15,833	\$ 76,207

The notes to the financial statements are an integral part of this statement.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities Enterprise Funds		
	Western Area Purchasing Co-Op	Nonmajor Enterprise Funds	Totals
Cash Flows from Operating Activities:			
Receipts from customers	\$ 933,290	\$ 9,187	\$ 942,477
Payments to suppliers and providers of goods and services	(901,294)	(12,855)	(914,149)
Payments to employees	(19,506)	-	(19,506)
Net cash provided (used) by operating activities	<u>\$ 12,490</u>	<u>\$ (3,668)</u>	<u>\$ 8,822</u>
Cash Flows from Capital and Related Financing Activities:			
Purchases of capital assets	\$ (3,527)	\$ -	\$ (3,527)
Net cash used by capital and related financing activities	<u>\$ (3,527)</u>	<u>\$ -</u>	<u>\$ (3,527)</u>
Cash Flows from Investing Activities:			
Interest received	<u>\$ 713</u>	<u>\$ -</u>	<u>\$ 713</u>
Net increase (decrease) in cash and cash equivalents	\$ 9,676	\$ (3,668)	\$ 6,008
Cash and cash equivalents - Beginning of year	<u>6,398</u>	<u>11,689</u>	<u>18,087</u>
Cash and cash equivalents - End of year	<u><u>\$ 16,074</u></u>	<u><u>\$ 8,021</u></u>	<u><u>\$ 24,095</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 9,455	\$ (6,088)	\$ 3,367
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	2,239	2,420	4,659
(Increase)/decrease in assets:			
Inventory	(166,862)	-	(166,862)
Increase in liabilities:			
Accounts payable	167,481	-	167,481
Deferred revenue	177	-	177
Net cash provided (used) by operating activities	<u><u>\$ 12,490</u></u>	<u><u>\$ (3,668)</u></u>	<u><u>\$ 8,822</u></u>

The notes to the financial statements are an integral part of this statement.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 92,871
Due from other governments	<u>-</u>
TOTAL ASSETS	<u><u>\$ 92,871</u></u>
 LIABILITIES	
Due to other governments	<u>\$ 92,871</u>
TOTAL LIABILITIES	<u><u>\$ 92,871</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The accounting policies of Hancock/McDonough Regional Office of Education #26 (ROE) substantially comply with the rules prescribed by the Illinois State Board of Education (ISBE). These accounting policies conform to Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board (GASB).

Reporting Entity

Hancock/McDonough Regional Office of Education #26 was created by Illinois Public Act 88-89, as amended. The ROE operates under the School Code (Articles 3 and 3A of *Illinois Compiled Statutes*, Chapter 105). The ROE encompasses Hancock and McDonough Counties. The voters of Hancock and McDonough Counties elect the Regional Superintendent of Schools. The Regional Superintendent of Schools (Superintendent) serves as chief administrative officer of the ROE and is elected pursuant to Article 3, *Illinois Compiled Statutes*, Chapter 105.

The regional superintendent is charged with responsibility for township fund lands, registration of the names of applicants for scholarships to State controlled universities; examinations and related duties; inspection of public schools; direction of teachers and school officers; to serve as the official advisor and assistant to school officers and teachers; to conduct teachers institutes as well as to aid and encourage the formation of other teacher meetings and assist in their management; evaluate the schools in the region; examine school treasurer's books, accounts, and vouchers; examine evidence of indebtedness; file and keep the returns of elections required to be returned to the Regional Superintendent's office; and file and keep the reports and statements returned by school treasurers and trustees.

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of any monies distributed to treasurers, board presidents, clerks and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education #26's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required by law.

The Regional Superintendent is responsible for inspection and approval or rejection of school treasurers' bonds. The Regional Superintendent is also required to provide the State Board of Education with an affidavit showing that the treasurers of school districts under his control are properly bonded.

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Reporting Entity - continued

The Regional Superintendent is also responsible for apportionment and payment of funds received from the State for the districts in the region, or see that no payments are made unless the treasurer has filed or renewed appropriate bonds and that the district has certified publication of the annual financial report. The Regional Superintendent is required to provide opinions and advice related to controversies under school law.

For the period ended June 30, 2007, the Regional Office of Education #26 applied for, received, and administered numerous State and federal programs and grants in assistance of the educational activities of the school districts in the region. Such activities are reported as a single major special revenue fund (Education Fund).

The ROE's financial statements include all funds of the ROE.

These are the only activities considered to be part of (controlled by or dependent on) the ROE, as determined by the application of the criteria set forth in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*. The ROE has developed criteria to determine whether outside agencies with activities which benefit the citizens of the region, including joint agreements which serve pupils from numerous school districts, should be included within its financial reporting entity. The criteria include, but are not limited to, whether the ROE exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships. The blended component units described below are included in the ROE's reporting entity because of the significance of their operational or financial relationships with the ROE.

- *Western Area Purchasing Co-Op* is a joint agreement used to reduce costs to school districts by purchasing various supplies in larger quantities. School districts in West-Central Illinois place orders with the Co-Op, which accumulates the orders and purchases large quantities for distribution to the districts. The purchasing Co-Op is a discretionary activity fund.
- *Video Co-Op* is a joint agreement administered by the ROE, which maintains an inventory of videocassette tapes. The tapes and tape players are available for check-out by each of the school districts serviced by Regional Office of Education #26. The Video Co-Op is a discretionary activity fund.
- *Hancock/McDonough Alternative School and Alternative Training* Used to account for State revenues and expenditures paid to provide an alternative education program in Hancock and McDonough Counties.
- *Gifted Co-Op Fund* – Used to account for a joint agreement for providing gifted instruction and coordination to school districts within ROE #26's region.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Reporting Entity - continued

Furthermore, the ROE does not consider itself to be a component unit of any other entity.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities are supported by intergovernmental revenues and are reported separate from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and reported in a single column.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay current liabilities. The ROE considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues from local sources consist primarily of fees charged to school districts for services rendered by the ROE. Miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Grant funds from the State of Illinois are considered to be earned to the extent of expenditures made under the provisions of the grant. Investment earnings are recorded as earned since they are measurable and available.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the Statement of Net Assets. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Under the provision of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the ROE applies all GASB pronouncements and has elected to apply only the pronouncements issued on or before November 30, 1989 for the following: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure.

The ROE reports the following major governmental funds:

General Fund - The General Fund is used to account for resources traditionally associated with government which are not required, legally or by sound financial management, to be accounted for in another fund. The ROE's General Fund accounts include the following:

- *County Funds* – Used to account for funds provided by the County Boards of Hancock and McDonough Counties for general office operation and maintenance.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation -
Continued

- *Interest Fund* – Used to account for interest earned on the Distributive Fund for the mutual benefit of each school district in Hancock and McDonough Counties.
- *Regional Programs Funds* – Accounts for the cost of operating certain programs not paid for through special revenues or County funds and for interest earned on the Distributive Fund.
- *Office Administration Fund* – Accounts for indirect costs of operating programs.
- *Directory Fund* – Funded by contributions from local school districts to prepare an ROE directory.

Education Fund – The Education Fund includes proceeds from specific revenue sources (generally all State and federal grants except Supervisory Expense and ROE/ISC Operations) that are legally restricted to expenditures for specified purposes. The ROE's Education Fund accounts include the following:

- *Early Childhood Grants* – Used to account for State grant proceeds for the early childhood education block grants.
- *Even Start* – Used to account for federal grant proceeds for the Even Start project.
- *Novel* – Used to account for local fees associated with the ROE's Novel project.
- *Safe to Learn* – Used to account for ISBE and local funds included in the ROE's Safe to Learn Grant program.
- *Child and Family Connections* - Used to account for a contractual agreement with the Illinois Department of Human Services to provide a caseworker for the purpose of monitoring teen parents receiving Aid to Dependent Children.
- *Hearing Aid Screening* – Used to account for a hearing screenings program funded through the Illinois Department of Public Aid.
- *United Way* – Used to account for funding from local United Way for child birth classes and materials.
- *Pioneer Grant* – Used to promote mathematics and science in the Macomb Area.
- *Truants Alternative Optional Education* – Used to account for the cost of providing tutoring services and to encourage students to stay in school.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
Continued

- *Regional Safe Schools* – Used to account for an alternative schools program of centralized instructional programs for students with specialized needs.
- *Title IV – Safe and Drug Free Formula* – Used to account for a regional, multi-district program on drug and alcohol abuser education and prevention for students throughout all grade levels (Pre-K thru 12).
- *McKinney Education for Homeless Children* – Used to account for the McKinney Education for Homeless Grant, a program to facilitate the enrollment, attendance and success of homeless youths in school.
- *Hancock/McDonough Alternative Schools* – Used to account for State revenues and expenditures paid to provide an alternative education program in Hancock and McDonough Counties.
- *ROE Technology Maintenance* – Used to account for revenues and expenditures of the ISBE Technology Maintenance grant program.
- *Family Literacy* – Used to provide literacy services to parents and children during the summer when many traditional education programs close.
- *Regional System Provider/Federal System* – Used to account for State revenues to support a regionalized system of support to assist schools in academic difficulty.
- *Truants Alternative Optional Education Program (TAOEP) Training* – Used to account for State grant proceeds expended to train individuals in Truant Alternative Education.
- *Teen Court* – Used to account for Department of Human Services funding of a project designed to help teens better understand the court system in which teens act as the jury in certain legal cases.
- *Gifted Co-Op* – Used to account for a joint agreement for providing gifted instruction and coordination to school districts within ROE #26's region.
- *Teaching American History Grant* – Used to account for federal grant proceeds received in the ROE's project to conduct nationally significant programs to improve the quality of education, assist all students to meet challenging State content standards, and contribute to the achievement of elementary and secondary students.
- *Adult Learning Resource Center* – Used to account for the ROE's subcontract with Schaumburg CUSD #54's McKinney Education for Homeless Grant.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Additionally, the ROE reports the following fund types:

Governmental

Special Revenue Funds - Special Revenue Funds are used to account for the collection and disbursement of earmarked monies. The ROE's nonmajor Special Revenue Funds include the following:

- *Institute Fund* – Used to account for examination, registration and renewal fees and to defray expenses incidental to teacher's institutes, workshops and professional meetings.
- *General Education Development (GED) Fund* – Used to account for fees and expenditures incidental to administering the high school equivalency testing program.
- *Bus Driver Training* – Used to account for fees and expenditures incidental to conducting courses of instruction for school bus drivers pursuant to the standards established by the Illinois Secretary of State.
- *Supervisory Fund* – Used to account for travel and other expenditures necessary to perform the duty of supervising the school districts in the region.

Proprietary

Proprietary funds account for activities whose costs are funded by fees and charges. These fees and charges are paid by external users for goods or services. The ROE utilizes the following proprietary fund:

- *Western Area Purchasing Co-Op* is a joint agreement used to reduce costs to school districts by purchasing various supplies in larger quantities. School districts in West-Central Illinois place orders with the Co-Op, which accumulates the orders and purchases large quantities for distribution to the districts. As noted previously, the purchasing Co-Op is a discretionary activity fund.

Additionally, the ROE reports the following nonmajor Proprietary Funds:

- *Video Co-Op* is a joint agreement administered by the ROE, which maintains an inventory of videocassette tapes. The tapes and tape players are available for check-out by each of the school districts serviced by Regional Office of Education #26. As noted previously, the VIDEO Co-Op is a discretionary activity fund.
- *Workshop Fund* is used to account for all activity for workshops managed by the ROE.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Fiduciary

Agency Funds – Fiduciary funds account for assets held by the ROE in a trustee or agency capacity. Agency funds are custodial in nature and do not involve measurement of results of operations. The ROE utilizes the following agency funds:

- *Distributive Fund* – The resources in this fund are received by and passed through the ROE to their owners. Entities whose resources are received by and passed through the distributive fund include the Western Area Career System, West Central Illinois Special Ed, and Regional Office of Education #26.
- *State Superintendent Fund* – Accounts for funds received from people applying for teaching certificates. The funds are received by the ROE which, in turn, sends them to the State Superintendent of Education on the individual's behalf. Since the State Superintendent of Education does not accept personal checks from the individuals, the ROE accepts their checks and then remits a check to the State on their behalf.
- *District 307 Fund* – The resources in this fund are received and disbursed to facilitate in the merger of three school districts into one new consolidated school district.
- *Regional Board of School Trustees Fund* – Accounts for the marketing and disposal of school properties belonging to local education agencies and for expenses related to detachment petitions.
- *Area III Superintendents Fund* – Accounts for all the Area III regional superintendents. Membership fees are used to provide meetings and seminars for disseminating current information on administration issues.

Budgetary Data

The grant budgets are submitted to grantor agencies for approval and funding; however, no legal budget is required or adopted. A funding agreement is entered into upon approval of the budget by the grantor. Any subsequent budget revisions must be approved by the grantor. The following accounts prepare budgets:

Early Childhood Block Grant
Early Childhood Grant
Even Start
Truant Alternative Optional Education
Regional Safe Schools
Title IV Safe and Drug Free Formula

McKinney Education for Homeless
Children
Truant Alternative Optional Education
Program Training
Teaching American History Grant

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
Continued

Budgets for the other funds of the ROE are not legally required and have not been prepared. Accordingly, no actual to budget comparison is included in the basic financial statements. The actual to budget comparisons are prepared on the modified accrual basis of accounting. The ROE is required to report, in its financial statements, payments made by the State of Illinois to the Teachers' Retirement System. These "on-behalf" payments of \$42,950, which were not required to be budgeted, are recorded in the Education Fund. These payments were recorded as both revenues and expenditures in accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*.

Cash and Cash Equivalents

Cash consists of demand deposits. For purposes of the Statement of Cash Flows, the ROE considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Inventories

Inventories are carried at the lower of cost (first-in, first-out), or market.

Due From Other Governments

Due from other governmental units and agencies is reported at gross with no allowance for uncollectibles since management feels the amount of any uncollectible accounts is immaterial.

Capital Assets

Capital assets, which include buildings, software, and furniture and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The ROE records all capital items, which are individually greater than \$500, with a useful life of greater than one year, as fixed assets.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

Capital Assets - continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Software	3
Furniture and equipment	5
Buildings	40

Compensated Absences

Sick leave accrues to full-time, permanent employees and part-time employees who work at least 850 hours per year to specified maximums. At resignation, layoff or retirement, unused sick leave may be applied to IMRF pension service credit, however there is no compensation to the employee upon separation of service. Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the ROE.

Fund Equity

In the government-wide financial statements fund equity is displayed in three components:

Unrestricted net assets – All other net assets which do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Investment in capital assets, net of related debt - Consists of capital assets, net of accumulated depreciation.

Restricted for teacher professional development - Teacher registration fees are to be used to defray expenses connected with improving the technology necessary for the efficient processing of certificates as well as any expenses incidental to teacher institutes, workshops, or meetings of a professional nature that are designed to promote the professional growth of teachers. All funds generated remain restricted until expended only on these activities.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources that are subject to change.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, gains, losses, and other changes in fund balance during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

The *Illinois Compiled Statutes* authorize the ROE to invest in U.S. Government, State of Illinois, and municipal securities; certificates of deposit or time savings deposits insured by the FDIC; mortgage notes, bonds, or debentures issued by the Federal Housing Administration; bonds and other obligations of the Federal National Mortgage Association; commercial paper rated within the three highest classifications by at least two standard rating services; credit union shares; and the Illinois Funds.

Bank Deposits

At June 30, 2007, the government-wide and agency fund's carrying amounts of the ROE's various bank deposits totaled \$718,608 and \$92,871, respectively. The bank balances totaled \$946,631. Included in the bank balance is \$36,072 invested in the Illinois Funds. The ROE has obtained sufficient collateral for any excess cash on deposit.

Custodial Credit Risk - Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the ROE's deposits may not be returned to it. The ROE does not have a formal investment policy to guard against custodial credit risk for deposits with financial institutions.

Investments

The ROE does not have a formal investment policy but requires that funds be invested solely in investments authorized by the Public Funds Investment Act, 30 ILCS 235/2.

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the ROE will not be able to recover the value of its investments that are in possession of an outside party.

Interest Rate Risk - The ROE invests solely in investments authorized by the Public Funds Investment Act, 30 ILCS 235/2.

NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS – Continued

Credit Risk - The Illinois Funds (the Fund) is an external investment pool authorized by the Illinois General Assembly. The Fund is exempt from registering with the Securities and Exchange Commission. The Fund is rated by Standard and Poors upon the request of the Fund's management. The most recent money market rating issued by Standard and Poors was AAAm. The fair value of the position in the Illinois Funds Investment Pool is the same as the value of the pool shares. Illinois State Statute provides the Illinois State Treasurer with regulatory oversight over the Pool.

3. CAPITAL ASSETS

Governmental Activities

Capital asset activity for the year ended June 30, 2007 is as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Software and equipment	\$ 110,285	\$ 56,567	\$ -	\$ 166,852
Less accumulated depreciation for:				
Software and equipment	<u>46,947</u>	<u>22,318</u>	<u>-</u>	<u>69,265</u>
Total capital assets, net of accumulated depreciation	<u>\$ 63,338</u>	<u>\$ 34,249</u>	<u>\$ -</u>	<u>\$ 97,587</u>

Depreciation was charged to the Instructional Services activity.

Business-type Activities

Capital asset activity for the year ended June 30, 2007 is as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Building	\$ 50,000	\$ -	\$ -	\$ 50,000
Software and equipment	16,374	3,527	-	19,901
Less accumulated depreciation for:				
Building	6,250	1,250	-	7,500
Software and equipment	<u>3,757</u>	<u>3,409</u>	<u>-</u>	<u>7,166</u>
Total capital assets, net of accumulated depreciation	<u>\$ 56,367</u>	<u>\$ (1,132)</u>	<u>\$ -</u>	<u>\$ 55,235</u>

Depreciation was charged to the Other activity.

NOTES TO THE FINANCIAL STATEMENTS

4. LONG-TERM DEBT

The ROE records a liability associated with compensated absences. During the fiscal year, the amount in this account increased by \$4,429. At June 30, 2007, the balance in this account was \$25,872.

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Compensated absences	\$ 21,443	\$ 4,429	\$ -	\$ 25,872

5. EMPLOYEE'S RETIREMENT PLANS

Illinois Municipal Retirement Fund

The ROE's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF) provides retirement, disability, annual cost of living adjustments, and death benefits to plan members and beneficiaries. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly.

IMRF issues a financial report that includes financial statements and required supplementary information. That report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

Employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The member rate is established by State statute. The ROE is required to contribute at an actuarially determined rate. The employer rate for calendar year 2006 was 6.27 percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2006 was 5 years.

NOTES TO THE FINANCIAL STATEMENTS

5. EMPLOYEE'S RETIREMENT PLANS – Continued

For December 31, 2006, the ROE's annual pension cost of \$44,073 was equal to the ROE's required and actual contributions. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50 percent investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 to 11.6 percent per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3 percent annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15 percent corridor. The assumptions used for the 2006 actuarial valuation were based on the experience study.

**Trend Information –
IMRF**

Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contribute	Net Pension Obligation
12/31/06	\$ 44,073	100%	\$0
12/31/05	33,922	100	0
12/31/04	35,712	100	0
12/31/03	29,447	100	0
12/31/02	28,653	100	0
12/31/01	36,107	100	0
12/31/00	20,211	100	0
12/31/99	25,154	100	0
12/31/98	16,974	100	0
12/31/97	3,933	100	0

NOTES TO THE FINANCIAL STATEMENTS

5. EMPLOYEE'S RETIREMENT PLANS – Continued

Illinois Teachers' Retirement System (TRS)

The ROE participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago.

The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The State of Illinois maintains primary responsibility for the funding of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system's administration.

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate through June 30, 2007 was 9.4 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer.

In addition, virtually all members pay a contribution to the Teachers' Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The employer THIS Fund contribution was 0.60 percent during the year ended June 30, 2007, and the member THIS Fund health insurance contribution was 0.80 percent.

The State of Illinois makes contributions directly to TRS on behalf of the ROE's TRS-covered employees.

- On Behalf Contributions

The State of Illinois makes employer pension contributions on behalf of the ROE. For the year ended June 30, 2007, State of Illinois contributions were based on 9.78 percent of creditable earnings, and the ROE recognized revenue and expenditures of \$43,140 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2006 and June 30, 2005, the State of Illinois contribution rates as percentages of creditable earnings were 7.06 percent (\$20,677) and 11.76 percent (\$50,435), respectively.

The ROE makes other types of employer contributions directly to TRS.

- 2.2 Formula Contributions

Employers contributed 0.58 percent of creditable earnings for the 2.2 formula change. This rate is specified by statute. Contributions for the year ending June 30, 2007 were \$2,559. Contributions for the years ended June 30, 2006 and June 30, 2005, were \$1,697 and \$1,554, respectively.

NOTES TO THE FINANCIAL STATEMENTS

5. EMPLOYEE'S RETIREMENT PLANS – Continued

- Federal and Trust Fund Contributions

When TRS members are paid from federal and trust funds administered by the ROE, there is a statutory requirement for the ROE to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and trust funds will be the same as the state contribution rate to TRS.

For the year ended June 30, 2007, the employer pension contribution was 9.78 percent of salaries paid from federal and trust funds. For the year ended June 30, 2006, the employer pension contribution was 7.06 percent of salaries paid from federal and trust funds. For the year ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2007, salaries totaling \$66,605 were paid from federal and trust funds that required employer contributions of \$6,514. For the years ended June 30, 2006 and June 30, 2005, required ROE contributions were \$-0- and \$5,746, respectively.

- Early Retirement Option

The ROE is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on the age and salary of the member and under which ERO program the member retires.

Under Public Act 94-0004, a "Pipeline ERO" program is provided for members to retire under the same terms as the ERO program that expired June 30, 2005, provided they meet certain conditions and retire on or before July 1 2007. If members do not meet these conditions, they can retire under the "Modified ERO" program which requires higher member and employer contributions to TRS. Also, under Modified ERO, Public Act 94-0004 eliminates the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service (unless the member qualifies for the Pipeline ERO).

Under ERO program that expired on June 30, 2005 and the Pipeline ERO, the maximum employer contribution is 100 percent of the member's highest salary used in the final average salary calculation.

Under the Modified ERO, the maximum employer contribution is 117.5 percent. Both the 100 percent and 117.5 percent maximums apply when the member is age 55 at retirement.

For the year ended June 30, 2007, the ROE paid \$-0- to TRS for employer contributions under the Pipeline ERO and Modified ERO programs. For the years ended June 30, 2006 and June 30, 2005, the ROE made no payments in employer ERO contributions.

NOTES TO THE FINANCIAL STATEMENTS

5. EMPLOYEE'S RETIREMENT PLANS – Continued

- Salary increases over 6 percent and excess sick leave.

Public Act 94-0004 added two new employer contributions to TRS.

If an employer grants salary increases over 6 percent and those salaries are used to calculate a retiree's final average salary, the employer makes a contribution to TRS. The contribution will cover the difference in actuarial cost of the benefit based on actual salary increases and the benefit based on salary increases up to 6 percent. For the years ended June 30, 2007 and 2006, there were no salary increases in excess of 6 percent.

If an employer grants sick leave days in excess of the normal annual allotment and those days are used as TRS service credit, the employer makes a contribution to TRS. The contribution is based on the number of excess sick leave days used to calculate final average salary, and the TRS total normal cost rate (17.60 percent of salary during the year ended June 30, 2007). For the years ended June 30, 2007 and 2006, there were no sick leave days granted in excess of the normal annual allotment.

TRS financial information, an explanation of TRS' benefits, and descriptions of member, employer and State funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2006. The report for the year ended June 30, 2007 is expected to be available in late 2007.

The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, IL 62794-9253. The most current report is also available on the TRS Website at trs.illinois.gov.

6. DUE FROM OTHER GOVERNMENTS

A summary of amounts due from other governments at June 30, 2007 follows:

Education Fund:	
Illinois Department of Human Services	\$ 3,759
Illinois State Board of Education	1,315
U.S. Department of Education	13,630
Adult Learning Resource Center	<u>4,098</u>
Total Education Fund	<u>\$22,802</u>
Enterprise Fund:	
Southeastern Community Unit School District #337	<u>\$ 441</u>
Total	<u>\$23,243</u>

NOTES TO THE FINANCIAL STATEMENTS

7. DUE TO OTHER GOVERNMENTS

A summary of amounts due to other governments from agency and special revenue funds at June 30, 2007 follows:

Education Fund:	
School districts	\$ 2,340
Illinois State Board of Education	<u>8,952</u>
Total Education Funds	<u>\$ 11,292</u>
Agency Funds:	
District 307 Fund	\$ 87,319
State Superintendent Fund	1,528
Regional Board of School Trustees	3,157
Area III Superintendents	<u>867</u>
Total Agency Funds	<u>\$ 92,871</u>
Total	<u>\$104,163</u>

8. INTERFUND RECEIVABLES AND PAYABLES

Funds periodically borrow from other funds to cover temporary cash shortages. These loans are usually paid in full within a few months. No interest is charged on the loans outstanding. Following is a summary of the outstanding amounts due from (to) other funds as of June 30, 2007:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 33	\$ 33
Education Fund	39,720	38,979
Nonmajor Special Revenue Fund	-	<u>741</u>
Total	<u>\$39,753</u>	<u>\$39,753</u>

9. RISK MANAGEMENT

The ROE is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Insurance to cover these risks is provided through Hancock and McDonough Counties. Claims from these risks have not exceeded commercial insurance coverage during the current fiscal year and the previous two fiscal years.

NOTES TO THE FINANCIAL STATEMENTS

10. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Generally accepted accounting principles require disclosure of certain information concerning individual funds (which are presented only in combination on the financial statements). Funds having deficit fund balances and funds which over-expended appropriations during the year are required to be disclosed.

The following funds had a deficit fund balance at June 30, 2007:

Education Fund:

Hearing Aid Screening	\$ 34,026
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General Fund:

Office Administration Fund	33
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General Education Development Fund	741
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11. ON-BEHALF SALARIES AND BENEFITS PAYMENTS

As previously noted, the State of Illinois makes employer pension contributions on behalf of the ROE. The salaries, benefits, and TRS contributions of the Regional Superintendent and the Assistant Superintendent are paid by the State of Illinois. The amounts paid by the State of Illinois are as follows:

Regional Superintendent salary	\$ 84,737
Regional Superintendent benefits (Includes State paid insurance)	19,026
Assistant Regional Superintendent salary	76,263
Assistant Regional Superintendent benefits (Includes State paid insurance)	<u>9,865</u>
Total	<u>\$189,891</u>

Salary and benefit data for the Regional Superintendent and Assistant Regional Superintendent was calculated based on data provided by the Illinois State Board of Education.

These awards are included in the financial statements of the General Revenue Fund as on-behalf payments. In addition to the \$189,891 above, Special Revenue Fund on-behalf payments include \$43,140 for TRS contributions (which includes \$42,950 in the Education Fund) for other employees for a total of \$233,031 for the year ended June 30, 2007.

NOTES TO THE FINANCIAL STATEMENTS

12. LEASE OBLIGATIONS

The ROE leases classroom and office space from various locations. Future minimum rental payments under noncancellable operating leases are as follows:

2008	\$34,602
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Rent expense for the year ended June 30, 2007 was \$59,680.

13. NEW ACCOUNTING PRONOUNCEMENT

Effective June 30, 2007, the ROE adopted Governmental Accounting Standards Board Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. There was no impact on the ROE's financial statements as a result of adopting this statement.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26

REQUIRED SUPPLEMENTARY INFORMATION
(Other than Management's Discussion and Analysis)

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
ILLINOIS MUNICIPAL RETIREMENT FUND - SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL)- Entry (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2006	\$ 883,484	\$ 895,956	\$ 12,472	98.61%	\$ 702,914	1.77 %
12/31/2005	761,625	696,166	(65,459)	109.40%	700,868	0.00 %
12/31/2004	658,690	567,110	(91,580)	116.15%	594,213	0.00 %
12/31/2003	625,249	519,504	(105,745)	120.35%	592,494	0.00 %
12/31/2002	590,537	502,115	(88,422)	117.61%	562,919	0.00 %
12/31/2001	531,940	426,206	(105,734)	124.81%	571,319	0.00 %
12/31/2000	440,591	339,186	(101,405)	129.90%	541,847	0.00 %
12/31/1999	356,317	260,583	(95,734)	136.74%	467,554	0.00 %
12/31/1998	273,914	230,404	(43,510)	118.88%	404,155	0.00 %
12/31/1997	207,109	179,481	(27,628)	115.39%	350,366	0.00 %

On a market basis, the actuarial value of assets as of December 31, 2006 is \$941,330. On a market basis, the funded ratio would be 105.06%.

*Digest of Changes

The actuarial assumptions used to determine the actuarial accrued liability for 2006 are based on the 2002-2004 Experience Study.

The principal changes were:

- The 1994 Group Annuity Mortality implemented
- For Regular members, fewer normal and more early retirements are expected to occur.

SLEP Member contribution rate changed from 6.50% to 7.50% effective June 1, 2006.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26

OTHER SUPPLEMENTARY INFORMATION

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
GENERAL FUND ACCOUNTS
COMBINING SCHEDULE OF ACCOUNTS
JUNE 30, 2007

	County Funds	Interest Fund	Regional Programs Fund	Office Administration Fund	Directory Fund	Totals
Assets						
Cash and cash equivalents	\$ 12,649	\$ 36,249	\$ 140,135	\$ -	\$ 4,842	\$ 193,875
Accounts receivable	-	-	-	-	-	-
Due from other funds	33	-	-	-	-	33
Total Assets	<u>\$ 12,682</u>	<u>\$ 36,249</u>	<u>\$ 140,135</u>	<u>\$ -</u>	<u>\$ 4,842</u>	<u>\$ 193,908</u>
Liabilities and Fund Balance						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 22,794	\$ -	\$ -	\$ 22,794
Due to other funds	-	-	-	33	-	33
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,794</u>	<u>\$ 33</u>	<u>\$ -</u>	<u>\$ 22,827</u>
Fund Balance (Deficit)						
Fund balance (deficit) - unreserved	12,682	36,249	117,341	(33)	4,842	171,081
Total Liabilities and Fund Balance (Deficit)	<u>\$ 12,682</u>	<u>\$ 36,249</u>	<u>\$ 140,135</u>	<u>\$ -</u>	<u>\$ 4,842</u>	<u>\$ 193,908</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
GENERAL FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	County Funds	Interest Fund	Regional Programs Fund	Office Administration Fund	Directory Fund	Totals
Revenues						
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	79,173	250	397,528	7,078	5	484,034
On-behalf payments	-	-	190,081	-	-	190,081
Total Revenues	\$ 79,173	\$ 250	\$ 587,609	\$ 7,078	\$ 5	\$ 674,115
Expenditures						
Salaries	\$ 49,252	\$ -	\$ 72,403	\$ -	\$ -	\$ 121,655
Benefits	20,881	-	96,114	-	-	116,995
Purchased services	5,313	3,710	264,954	-	-	273,977
Supplies and materials	3,632	-	-	7,000	162	10,794
Capital outlay	-	-	11,082	-	-	11,082
On-behalf payments	-	-	190,081	-	-	190,081
Total Expenditures	\$ 79,078	\$ 3,710	\$ 634,634	\$ 7,000	\$ 162	\$ 724,584
Revenues over/(under) expenditures	\$ 95	\$ (3,460)	\$ (47,025)	\$ 78	\$ (157)	\$ (50,469)
Other Financing Sources/(Uses)						
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-	-
Net change in fund balances	\$ 95	\$ (3,460)	\$ (47,025)	\$ 78	\$ (157)	\$ (50,469)
Fund Balance (Deficit), Beginning of year	12,587	39,709	164,366	(111)	4,999	221,550
Fund Balance (Deficit), End of year	\$ 12,682	\$ 36,249	\$ 117,341	\$ (33)	\$ 4,842	\$ 171,081

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF ACCOUNTS
JUNE 30, 2007

	Early Childhood Block Grant	Early Childhood Grant	Even Start	Novel
Assets				
Cash and cash equivalents	\$ 3,619	\$ 48,621	\$ 7,231	\$ 28,085
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Total Assets	\$ 3,619	\$ 48,621	\$ 7,231	\$ 28,085
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 1,314	\$ 5,389	\$ 500	\$ -
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Deferred revenue	1,583	42,907	-	-
Total Liabilities	\$ 2,897	\$ 48,296	\$ 500	\$ -
Fund Balance (Deficit)				
Unreserved				
Designated	\$ 722	\$ 325	\$ 6,731	\$ 28,085
Undesignated	-	-	-	-
Total Fund Balance (Deficit)	\$ 722	\$ 325	\$ 6,731	\$ 28,085
Total Liabilities and Fund Balance (Deficit)	\$ 3,619	\$ 48,621	\$ 7,231	\$ 28,085

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF ACCOUNTS
JUNE 30, 2007

	Safe to Learn	Child & Family Connections	Hearing Aid Screening	United Way
Assets				
Cash and cash equivalents	\$ 2,340	\$ 23,187	\$ -	\$ 961
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Total Assets	\$ 2,340	\$ 23,187	\$ -	\$ 961
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ -	\$ 20,801	\$ -	\$ -
Due to other funds	-	-	34,026	-
Due to other governments	2,340	-	-	-
Deferred revenue	-	211	-	-
Total Liabilities	\$ 2,340	\$ 21,012	\$ 34,026	\$ -
Fund Balance (Deficit)				
Unreserved				
Designated	\$ -	\$ 2,175	\$ (34,026)	\$ 961
Undesignated	-	-	-	-
Total Fund Balance (Deficit)	\$ -	\$ 2,175	\$ (34,026)	\$ 961
Total Liabilities and Fund Balance (Deficit)	\$ 2,340	\$ 23,187	\$ -	\$ 961

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
EDUCATION FUND ACCOUNT'S
COMBINING SCHEDULE OF ACCOUNTS
JUNE 30, 2007

	Pioneer Grant	Truants Alternative Optional Education	Regional Safe Schools	Title IV - Safe and Drug Free Formula	McKinney Education for Homeless Children
Assets					
Cash and cash equivalents	\$ 16,682	\$ -	\$ 6,598	\$ 1,893	\$ 19,465
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	1,315
Total Assets	\$ 16,682	\$ -	\$ 6,598	\$ 1,893	\$ 20,780
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 11,496
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	8,952
Deferred revenue	16,682	-	6,379	1,488	-
Total Liabilities	\$ 16,682	\$ -	\$ 6,379	\$ 1,488	\$ 20,448
Fund Balance (Deficit)					
Unreserved					
Designated	\$ -	\$ -	\$ 219	\$ 405	\$ 332
Undesignated	-	-	-	-	-
Total Fund Balance (Deficit)	\$ -	\$ -	\$ 219	\$ 405	\$ 332
Total Liabilities and Fund Balance (Deficit)	\$ 16,682	\$ -	\$ 6,598	\$ 1,893	\$ 20,780

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF ACCOUNTS
JUNE 30, 2007

	Hancock/ McDonough Alternative Schools	ROE Technology Maintenance	Family Literacy	Regional System Provider/ Federal System	Triants Alternative Optional Education Program Training
Assets					
Cash and cash equivalents	\$ 247,645	\$ 3,416	\$ 777	\$ 4,002	\$ 20,678
Due from other funds	39,720	-	-	-	-
Due from other governments	-	-	-	-	-
Total Assets	\$ 287,365	\$ 3,416	\$ 777	\$ 4,002	\$ 20,678
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	777	4,002	19,816
Total Liabilities	\$ -	\$ -	\$ 777	\$ 4,002	\$ 19,816
Fund Balance (Deficit)					
Unreserved	\$ 287,365	\$ 3,416	\$ -	\$ -	\$ 862
Designated	-	-	-	-	-
Undesignated	-	-	-	-	-
Total Fund Balance (Deficit)	\$ 287,365	\$ 3,416	\$ -	\$ -	\$ 862
Total Liabilities and Fund Balance (Deficit)	\$ 287,365	\$ 3,416	\$ 777	\$ 4,002	\$ 20,678

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF ACCOUNTS
JUNE 30, 2007

	Teen Court	Gifted Co-Op	Teaching American History Grant	Adult Learning Resource Center	Totals
Assets					
Cash and cash equivalents	\$ -	\$ 3,668	\$ 918	\$ -	\$ 439,786
Due from other funds	-	-	-	-	39,720
Due from other governments	3,759	-	13,630	4,098	22,802
	<u>\$ 3,759</u>	<u>\$ 3,668</u>	<u>\$ 14,548</u>	<u>\$ 4,098</u>	<u>\$ 502,308</u>
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 14,548	\$ -	\$ 54,048
Due to other funds	3,759	-	-	1,194	38,979
Due to other governments	-	-	-	-	11,292
Deferred revenue	-	-	-	-	93,845
Total Liabilities	<u>\$ 3,759</u>	<u>\$ -</u>	<u>\$ 14,548</u>	<u>\$ 1,194</u>	<u>\$ 198,164</u>
Fund Balance (Deficit)					
Unreserved					
Designated	\$ -	\$ -	\$ -	\$ 2,904	\$ 300,476
Undesignated	-	3,668	-	-	3,668
Total Fund Balance (Deficit)	<u>\$ -</u>	<u>\$ 3,668</u>	<u>\$ -</u>	<u>\$ 2,904</u>	<u>\$ 304,144</u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 3,759</u>	<u>\$ 3,668</u>	<u>\$ 14,548</u>	<u>\$ 4,098</u>	<u>\$ 502,308</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	Early Childhood Block Grant	Early Childhood Grant	Even Start	Novel
Revenues				
State sources	\$ 255,261	\$ 299,093	\$ -	\$ -
Federal sources	-	-	85,115	-
Local sources	456	325	-	14,565
On-behalf payments		13,699	-	-
Total Revenues	<u>\$ 255,717</u>	<u>\$ 313,117</u>	<u>\$ 85,115</u>	<u>\$ 14,565</u>
Expenditures				
Salaries	\$ 164,362	\$ 147,466	\$ 50,617	\$ -
Benefits	38,191	30,110	12,629	-
Purchased services	40,623	41,833	23,993	10,208
Supplies and materials	12,085	55,780	8,486	9,340
Transfers - payments to other governmental units	-	-	-	-
Capital outlay	-	23,904	-	-
On-behalf payments	-	13,699	-	-
Total Expenditures	<u>\$ 255,261</u>	<u>\$ 312,792</u>	<u>\$ 95,725</u>	<u>\$ 19,548</u>
Revenues over (under) expenditures	\$ 456	\$ 325	\$ (10,610)	\$ (4,983)
Other Financing Sources/(Uses)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ 456	\$ 325	\$ (10,610)	\$ (4,983)
Fund Balance (Deficit), Beginning of year	<u>266</u>	<u>-</u>	<u>17,341</u>	<u>33,068</u>
Fund Balance (Deficit), End of year	<u>\$ 722</u>	<u>\$ 325</u>	<u>\$ 6,731</u>	<u>\$ 28,085</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	Safe to Learn	Child & Family Connections	Hearing Aid Screening	United Way
Revenues				
State sources	\$ -	\$ 310,048	\$ -	\$ -
Federal sources	-	294,787	-	-
Local sources	-	1,303	-	2,856
On-behalf payments	-	-	-	-
Total Revenues	\$ -	\$ 606,138	\$ -	\$ 2,856
Expenditures				
Salaries	\$ -	\$ 332,260	\$ -	\$ 975
Benefits	-	107,372	-	118
Purchased services	-	139,464	-	-
Supplies and materials	-	22,092	-	802
Transfers - payments to other governmental units	-	-	-	-
Capital outlay	-	3,647	-	-
On-behalf payments	-	-	-	-
Total Expenditures	\$ -	\$ 604,835	\$ -	\$ 1,895
Revenues over (under) expenditures	\$ -	\$ 1,303	\$ -	\$ 961
Other Financing Sources/(Uses)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ 1,303	\$ -	\$ 961
Fund Balance (Deficit), Beginning of year	-	872	(34,026)	-
Fund Balance (Deficit), End of year	\$ -	\$ 2,175	\$ (34,026)	\$ 961

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	Pioneer Grant	Truants Alternative Optional Education	Regional Safe Schools	Title IV - Safe and Drug Free Formula	McKinney Education for Homeless Children
Revenues					
State sources	\$ -	\$ 142,870	\$ 89,640	\$ -	\$ -
Federal sources	-	-	-	24,853	282,543
Local sources	150	-	109	235	199
On-behalf payments	-	2,905	5,923	-	4,678
Total Revenues	\$ 150	\$ 145,775	\$ 95,672	\$ 25,088	\$ 287,420
Expenditures					
Salaries	\$ -	\$ 81,444	\$ 60,356	\$ 4,092	\$ 53,931
Benefits	-	19,124	15,032	-	12,446
Purchased services	150	42,302	14,252	20,761	10,345
Supplies and materials	-	-	-	-	7,658
Transfers - payments to other governmental units	-	-	-	-	195,545
Capital outlay	-	-	-	-	2,618
On-behalf payments	-	2,905	5,923	-	4,678
Total Expenditures	\$ 150	\$ 145,775	\$ 95,563	\$ 24,853	\$ 287,221
Revenues over (under) expenditures	\$ -	\$ -	\$ 109	\$ 235	\$ 199
Other Financing Sources/(Uses)					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-
Net change in fund balances	\$ -	\$ -	\$ 109	\$ 235	\$ 199
Fund Balance (Deficit), Beginning of year	-	-	110	170	133
Fund Balance (Deficit), End of year	\$ -	\$ -	\$ 219	\$ 405	\$ 332

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	Hancock/ McDonough Alternative Schools	ROE Technology Maintenance	Family Literacy	Regional System Provider/ Federal System	Truants Alternative Optional Education Program Training
Revenues					
State sources	\$ 219,014	\$ -	\$ 3,972	\$ 56,353	\$ 184,571
Federal sources	-	-	-	4,467	-
Local sources	4,369	-	-	-	492
On-behalf payments	9,315	-	-	4,594	-
Total Revenues	\$ 232,698	\$ -	\$ 3,972	\$ 65,414	\$ 185,063
Expenditures					
Salaries	\$ 121,209	\$ -	\$ -	\$ 46,972	\$ 60,103
Benefits	64,285	-	-	1,611	12,878
Purchased services	37,251	-	1,598	12,237	102,509
Supplies and materials	4,330	-	2,374	-	9,081
Transfers - payments to other governmental units	-	-	-	-	-
Capital outlay	15,316	-	-	-	-
On-behalf payments	9,315	-	-	4,594	-
Total Expenditures	\$ 251,706	\$ -	\$ 3,972	\$ 65,414	\$ 184,571
Revenues over (under) expenditures	\$ (19,008)	\$ -	\$ -	\$ -	\$ 492
Other Financing Sources/(Uses)					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ (19,008)	\$ -	\$ -	\$ -	\$ 492
Fund Balance (Deficit), Beginning of year	306,373	3,416	-	-	370
Fund Balance (Deficit), End of year	\$ 287,365	\$ 3,416	\$ -	\$ -	\$ 862

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	Teen Court	Gifted Co-Op	Teaching American History Grant	Adult Learning Resource Center	Totals
Revenues					
State sources	\$ 43,083	\$ -	\$ -	\$ -	\$ 1,603,905
Federal sources	-	-	209,480	33,760	935,005
Local sources	-	-	-	-	25,059
On-behalf payments	-	-	-	1,836	42,950
Total Revenues	\$ 43,083	\$ -	\$ 209,480	\$ 35,596	\$ 2,606,919
Expenditures					
Salaries	\$ 32,997	\$ -	\$ 41,100	\$ 24,013	\$ 1,221,897
Benefits	4,937	-	1,240	2,682	322,655
Purchased services	3,551	-	165,599	6,701	673,377
Supplies and materials	1,598	-	1,541	364	135,531
Transfers - payments to other governmental units	-	-	-	-	195,545
Capital outlay	-	-	-	-	45,485
On-behalf payments	-	-	-	1,836	42,950
Total Expenditures	\$ 43,083	\$ -	\$ 209,480	\$ 35,596	\$ 2,637,440
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ (30,521)
Other Financing Sources/(Uses)					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ (30,521)
Fund Balance (Deficit), Beginning of year	-	3,668	-	2,904	334,665
Fund Balance (Deficit), End of year	\$ -	\$ 3,668	\$ -	\$ 2,904	\$ 304,144

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 EARLY CHILDHOOD BLOCK GRANT
 FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Positive (Negative)
Revenues			
State sources	\$ 243,555	\$ 255,261	\$ 11,706
Local	-	456	456
Total Revenues	<u>\$ 243,555</u>	<u>\$ 255,717</u>	<u>\$ 12,162</u>
Expenditures			
Salaries	\$ 158,469	\$ 164,362	\$ (5,893)
Benefits	37,894	38,191	(297)
Purchased/contracted services	38,906	40,623	(1,717)
Materials and supplies	8,286	12,085	(3,799)
Capital outlay	-	-	-
Equipment	-	-	-
Total Expenditures	<u>\$ 243,555</u>	<u>\$ 255,261</u>	<u>\$ (11,706)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 456</u>	<u>\$ 456</u>
Fund Balance, Beginning of year		<u>266</u>	
Fund Balance, End of year		<u>\$ 722</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
EARLY CHILDHOOD GRANT
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Positive (Negative)
Revenues			
State	\$ 342,000	\$ 299,093	\$ (42,907)
Local			
Interest	-	325	325
On-behalf payments	-	13,699	13,699
Total Revenues	<u>\$ 342,000</u>	<u>\$ 313,117</u>	<u>\$ (28,883)</u>
Expenditures			
Salaries	\$ 168,000	\$ 147,466	\$ 20,534
Benefits	55,718	30,110	25,608
Purchased/contracted services	36,532	41,833	(5,301)
Materials and supplies	58,700	55,780	2,920
Capital Outlay	23,050	23,904	(854)
On-behalf payments	-	13,699	(13,699)
Total Expenditures	<u>\$ 342,000</u>	<u>\$ 312,792</u>	<u>\$ 29,208</u>
Net change in fund balances	<u>-</u>	<u>\$ 325</u>	<u>\$ 325</u>
Fund Balance, Beginning of year		<u>-</u>	
Fund Balance, End of year		<u>\$ 325</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
EVEN START
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Positive (Negative)
Revenues			
Federal sources	\$ 103,341	\$ 85,115	\$ (18,226)
Total Revenues	<u>\$ 103,341</u>	<u>\$ 85,115</u>	<u>\$ (18,226)</u>
Expenditures			
Salaries	\$ 54,715	\$ 50,617	\$ 4,098
Benefits	14,760	12,629	2,131
Purchased/contracted services	20,366	23,993	(3,627)
Materials and supplies	13,500	8,486	5,014
Total Expenditures	<u>\$ 103,341</u>	<u>\$ 95,725</u>	<u>\$ 7,616</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (10,610)</u>	<u>\$ (10,610)</u>
Fund Balance, Beginning of year		<u>17,341</u>	
Fund Balance, End of year		<u>\$ 6,731</u>	

See accompanying Independent Auditors' Report.

LIANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
TRUANTS ALTERNATIVE OPTIONAL EDUCATION
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Positive (Negative)
Revenues			
State sources	\$ 131,687	\$ 142,870	\$ 11,183
On-behalf payments	-	2,905	2,905
Total Revenues	<u>\$ 131,687</u>	<u>\$ 145,775</u>	<u>\$ 14,088</u>
Expenditures			
Salaries	\$ 70,274	\$ 81,444	\$ (11,170)
Benefits	19,772	19,124	648
Purchased/contracted services	41,641	42,302	(661)
Materials and supplies	-	-	-
On-behalf payments	-	2,905	(2,905)
Total Expenditures	<u>\$ 131,687</u>	<u>\$ 145,775</u>	<u>\$ (14,088)</u>
Net change in fund balances	<u>\$ -</u>	\$ -	<u>\$ -</u>
Fund Balance, Beginning of year		-	
Fund Balance, End of year		<u>\$ -</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
REGIONAL SAFE SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Positive (Negative)
Revenues			
State sources	\$ 87,499	\$ 89,640	\$ 2,141
Local	-	109	109
On-behalf payments	-	5,923	5,923
Total Revenues	<u>\$ 87,499</u>	<u>\$ 95,672</u>	<u>\$ 8,173</u>
Expenditures			
Salaries	\$ 55,874	\$ 60,356	\$ (4,482)
Benefits	18,810	15,032	3,778
Purchased/contracted services	12,176	14,252	(2,076)
Materials and supplies	639	-	639
On-behalf payments	-	5,923	(5,923)
Total Expenditures	<u>\$ 87,499</u>	<u>\$ 95,563</u>	<u>\$ (8,064)</u>
Net change in fund balances	<u>\$ -</u>	\$ 109	<u>\$ 109</u>
Fund Balance, Beginning of year		<u>110</u>	
Fund Balance, End of year		<u>\$ 219</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 TITLE IV - SAFE AND DRUG FREE FORMULA
 FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Positive (Negative)
Revenues			
Federal sources	\$ 24,942	\$ 24,853	\$ (89)
Local	-	235	235
Total Revenues	<u>\$ 24,942</u>	<u>\$ 25,088</u>	<u>\$ 146</u>
Expenditures			
Salaries	\$ 2,498	\$ 4,092	\$ (1,594)
Purchased/contracted services	21,547	20,761	786
Materials and supplies	897	-	897
Total Expenditures	<u>\$ 24,942</u>	<u>\$ 24,853</u>	<u>\$ 89</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 235</u>	<u>\$ 235</u>
Fund Balance, Beginning of year		<u>170</u>	
Fund Balance, End of year		<u>\$ 405</u>	

See accompanying Independent Auditors' Report.

HIANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
MCKINNEY EDUCATION FOR HOMELESS CHILDREN
FOR THE YEAR ENDED JUNE 30, 2007

	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
Revenues				
Federal sources	\$ 275,513	\$ 289,850	\$ 282,543	\$ (7,307)
Local sources	-	-	199	199
On-behalf payments	-	-	4,678	4,678
Total Revenues	<u>\$ 275,513</u>	<u>\$ 289,850</u>	<u>\$ 287,420</u>	<u>\$ (2,430)</u>
Expenditures				
Salaries	\$ 50,335	\$ 53,935	\$ 53,931	\$ 4
Benefits	10,330	10,714	12,446	(1,732)
Purchased/contracted services	10,063	13,916	10,345	3,571
Materials and supplies	5,935	9,935	7,658	2,277
Capital outlay	2,000	2,000	2,618	(618)
Transfers - payments to other governmental units	196,850	199,350	195,545	3,805
On-behalf payments	-	-	4,678	(4,678)
Total Expenditures	<u>\$ 275,513</u>	<u>\$ 289,850</u>	<u>\$ 287,221</u>	<u>\$ 2,629</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	\$ 199	<u>\$ 199</u>
Fund Balance, Beginning of year			<u>133</u>	
Fund Balance, End of year			<u>\$ 332</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 TRUANTS ALTERNATIVE OPTIONAL EDUCATION PROGRAM TRAINING
 FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Positive (Negative)
Revenues			
State sources	\$ 178,520	\$ 184,571	\$ 6,051
Local sources	-	492	492
Total Revenues	<u>\$ 178,520</u>	<u>\$ 185,063</u>	<u>\$ 6,543</u>
Expenditures			
Salaries	\$ 62,878	\$ 60,103	\$ 2,775
Benefits	13,727	12,878	849
Purchased/contracted services	101,415	102,509	(1,094)
Materials and supplies	500	9,081	(8,581)
Total Expenditures	<u>\$ 178,520</u>	<u>\$ 184,571</u>	<u>\$ (6,051)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 492</u>	<u>\$ 492</u>
Fund Balance, Beginning of year		<u>370</u>	
Fund Balance, End of year		<u>\$ 862</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 TEACHING AMERICAN HISTORY GRANT
 FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance Positive (Negative)
Revenues			
Federal sources	\$ 205,915	\$ 209,480	\$ 3,565
Total Revenues	<u>\$ 205,915</u>	<u>\$ 209,480</u>	<u>\$ 3,565</u>
Expenditures			
Salaries	\$ 42,000	\$ 41,100	\$ 900
Benefits	8,000	1,240	6,760
Purchased/contracted services	150,915	165,599	(14,684)
Materials and supplies	5,000	1,541	3,459
Capital outlay	-	-	-
Total Expenditures	<u>\$ 205,915</u>	<u>\$ 209,480</u>	<u>\$ (3,565)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, Beginning of year		<u>-</u>	
Fund Balance, End of year		<u>\$ -</u>	

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007

	Institute Fund	General Education Development Fund	Bus Driver Training	Supervisory Fund	Totals
Assets					
Cash and cash equivalents	\$ 57,274	\$ -	\$ 3,578	\$ -	\$ 60,852
Total Assets	\$ 57,274	\$ -	\$ 3,578	\$ -	\$ 60,852
Liabilities and Fund Balance					
Liabilities					
Due to other funds	\$ -	\$ 741	\$ -	\$ -	\$ 741
Deferred revenue	26,784	-	-	-	26,784
Total Liabilities	\$ 26,784	\$ 741	\$ -	\$ -	\$ 27,525
Fund Balance (Deficit)					
Fund Balance					
Unreserved					
Designated	\$ 30,490	\$ (741)	\$ 3,578	\$ -	\$ 33,327
Total Fund Balance (Deficit)	\$ 30,490	\$ (741)	\$ 3,578	\$ -	\$ 33,327
Total Liabilities and Fund Balance (Deficit)	\$ 57,274	\$ -	\$ 3,578	\$ -	\$ 60,852

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	Institute Fund	General Education Development Fund	Bus Driver Training	Supervisory Fund	Totals
Revenues					
State sources	\$ -	\$ -	\$ 600	\$ 2,000	\$ 2,600
Local sources	12,614	2,299	876	-	15,789
Total Revenues	\$ 12,614	\$ 2,299	\$ 1,476	\$ 2,000	\$ 18,389
Expenditures					
Purchased services	\$ 7,297	\$ 2,307	\$ 1,020	\$ 2,000	\$ 12,624
Supplies and material	1,100	93	80	-	1,273
Total Expenditures	\$ 8,397	\$ 2,400	\$ 1,100	\$ 2,000	\$ 13,897
Net change in fund balance	\$ 4,217	\$ (101)	\$ 376	\$ -	\$ 4,492
Fund Balance (Deficit), Beginning of year	26,273	(640)	3,202	-	28,835
Fund Balance (Deficit), End of year	\$ 30,490	\$ (741)	\$ 3,578	\$ -	\$ 33,327

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2007

	Business-type Activities Enterprise Funds		
	Video Co-Op	Workshop Fund	Totals
Assets			
Current assets			
Cash and cash equivalents	\$ 1,229	\$ 6,792	\$ 8,021
Due from other governments	441	-	441
Total current assets	<u>\$ 1,670</u>	<u>\$ 6,792</u>	<u>\$ 8,462</u>
Noncurrent assets			
Equipment, net	<u>263</u>	<u>7,108</u>	<u>7,371</u>
Total Assets	<u><u>\$ 1,933</u></u>	<u><u>\$ 13,900</u></u>	<u><u>\$ 15,833</u></u>
Liabilities and Net Assets			
Liabilities			
Total Liabilities	\$ -	\$ -	\$ -
Net Assets			
Invested in capital assets, net of related debt	263	7,108	7,371
Unrestricted	<u>1,670</u>	<u>6,792</u>	<u>8,462</u>
Total Net Assets	<u><u>\$ 1,933</u></u>	<u><u>\$ 13,900</u></u>	<u><u>\$ 15,833</u></u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities Enterprise Funds		
	Video Co-Op	Workshop Fund	Totals
Operating Revenues			
Charges for services	\$ 5,467	\$ 3,720	\$ 9,187
Operating Expenses			
Purchased services	\$ 4,025	\$ 2,590	\$ 6,615
Materials and supplies	4,949	1,291	6,240
Depreciation	175	2,245	2,420
Total Operating Expenses	\$ 9,149	\$ 6,126	\$ 15,275
Change in Net Assets	\$ (3,682)	\$ (2,406)	\$ (6,088)
Net Assets, Beginning of year	5,615	16,306	21,921
Net Assets, End of year	\$ 1,933	\$ 13,900	\$ 15,833

See accompanying Independent Auditors' Report.

HIANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities Enterprise Funds		
	Video Co-Op	Workshop Fund	Totals
Cash Flows from Operating Activities:			
Receipts from customers	\$ 5,467	\$ 3,720	\$ 9,187
Payments to suppliers and providers of goods and services	(8,974)	(3,881)	(12,855)
Net cash provided (used) by operating activities	<u>\$ (3,507)</u>	<u>\$ (161)</u>	<u>\$ (3,668)</u>
Net decrease in cash and cash equivalents	\$ (3,507)	\$ (161)	\$ (3,668)
Cash and cash equivalents - beginning of year	<u>4,736</u>	<u>6,953</u>	<u>11,689</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,229</u></u>	<u><u>\$ 6,792</u></u>	<u><u>\$ 8,021</u></u>
Reconciliation of operating income (loss) to net cash from operating activities:			
Operating income (loss)	\$ (3,682)	\$ (2,406)	\$ (6,088)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	<u>175</u>	<u>2,245</u>	<u>2,420</u>
Net cash provided (used) by operating activities	<u><u>\$ (3,507)</u></u>	<u><u>\$ (161)</u></u>	<u><u>\$ (3,668)</u></u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 ALL AGENCY FUNDS
 JUNE 30, 2007

	Distributive Fund	State Superintendent Fund	District 307 Fund	Regional Board of School Trustees Fund	Area III Superintendents Fund	Totals
Assets						
Cash and cash equivalents	\$ -	\$ 1,528	\$ 87,319	\$ 3,157	\$ 867	\$ 92,871
Due from other governments	-	-	-	-	-	-
Total Assets	\$ -	\$ 1,528	\$ 87,319	\$ 3,157	\$ 867	\$ 92,871
Liabilities						
Due to other governments	\$ -	\$ 1,528	\$ 87,319	\$ 3,157	\$ 867	\$ 92,871
Total Liabilities	\$ -	\$ 1,528	\$ 87,319	\$ 3,157	\$ 867	\$ 92,871

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007
Distributive Fund:				
Assets				
Cash and cash equivalents	\$ -	\$ 6,399,675	\$ 6,399,675	\$ -
Due from ISBE	198,729	-	198,729	-
Total Assets	<u>\$ 198,729</u>	<u>\$ 6,399,675</u>	<u>\$ 6,598,404</u>	<u>\$ -</u>
Liabilities				
Due to other funds	\$ -	\$ 6,399,675	\$ 6,399,675	\$ -
Due to other agencies	198,729	-	198,729	-
Total Liabilities	<u>\$ 198,729</u>	<u>\$ 6,399,675</u>	<u>\$ 6,598,404</u>	<u>\$ -</u>
District 307 Fund:				
Assets				
Cash and cash equivalents	\$ -	\$ 222,060	\$ 134,741	\$ 87,319
Total Assets	<u>\$ -</u>	<u>\$ 222,060</u>	<u>\$ 134,741</u>	<u>\$ 87,319</u>
Liabilities				
Due to other agencies	\$ -	\$ 222,060	\$ 134,741	\$ 87,319
Total Liabilities	<u>\$ -</u>	<u>\$ 222,060</u>	<u>\$ 134,741</u>	<u>\$ 87,319</u>
State Superintendent Fund:				
Assets				
Cash and cash equivalents	\$ 1,607	\$ 3,129	\$ 3,208	\$ 1,528
Total Assets	<u>\$ 1,607</u>	<u>\$ 3,129</u>	<u>\$ 3,208</u>	<u>\$ 1,528</u>
Liabilities				
Due to other agencies	\$ 1,607	\$ 3,129	\$ 3,208	\$ 1,528
Total Liabilities	<u>\$ 1,607</u>	<u>\$ 3,129</u>	<u>\$ 3,208</u>	<u>\$ 1,528</u>
Regional Board of School Trustees Fund:				
Assets				
Cash and cash equivalents	\$ 746	\$ 4,677	\$ 2,266	\$ 3,157
Total Assets	<u>\$ 746</u>	<u>\$ 4,677</u>	<u>\$ 2,266</u>	<u>\$ 3,157</u>
Liabilities				
Due to other agencies	\$ 746	\$ 4,677	\$ 2,266	\$ 3,157
Total Liabilities	<u>\$ 746</u>	<u>\$ 4,677</u>	<u>\$ 2,266</u>	<u>\$ 3,157</u>
Area III Superintendents Fund:				
Assets				
Cash and cash equivalents	\$ 540	\$ 2,250	\$ 1,923	\$ 867
Total Assets	<u>\$ 540</u>	<u>\$ 2,250</u>	<u>\$ 1,923</u>	<u>\$ 867</u>
Liabilities				
Due to other agencies	\$ 540	\$ 2,250	\$ 1,923	\$ 867
Total Liabilities	<u>\$ 540</u>	<u>\$ 2,250</u>	<u>\$ 1,923</u>	<u>\$ 867</u>
Totals:				
Assets				
Cash and cash equivalents	\$ 2,893	\$ 6,631,791	\$ 6,272,331	\$ 92,871
Due from ISBE	198,729	-	198,729	-
Total Assets	<u>\$ 201,622</u>	<u>\$ 6,631,791</u>	<u>\$ 6,471,060</u>	<u>\$ 92,871</u>
Liabilities				
Due to other funds	\$ -	\$ 6,399,675	\$ 6,399,675	\$ -
Due to other agencies	201,622	232,116	71,385	92,871
Total Liabilities	<u>\$ 201,622</u>	<u>\$ 6,631,791</u>	<u>\$ 6,471,060</u>	<u>\$ 92,871</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
SCHEDULE OF DISBURSEMENTS TO SCHOOL DISTRICT TREASURERS AND OTHERS
FOR THE YEAR ENDED JUNE 30, 2007

		Western Area Career System	West Central Illinois Special Ed	ROE 26	Totals
Distributive Fund Interest	N/A	\$	\$	\$	\$
General State Aid	3001	-	-	219,014	219,014
Special Ed Personnel	3110	-	981,825	-	981,825
Voc Ed-Sec Prog Imp	3220	481,995	-	-	481,995
Voc Ed-Ag Education	3235	46,033	-	-	46,033
State Free Lunch & Breakfast	3360	-	1,085	-	1,085
ROE School Bus Driver Training	3520	-	-	600	600
Triants Alternative/Optional Ed	3695	-	-	310,207	310,207
Regional Safe Schools	3696	-	-	87,499	87,499
Early Childhood Block Grant	3705	-	-	585,555	585,555
Supervisory	3745	-	-	2,000	2,000
Other state revenues	3,999	25,000	-	-	25,000
National School Lunch (10,555)	4210	-	12,463	-	12,463
School Breakfast Program	4220	-	8,068	-	8,068
Even Start	4335	-	-	81,000	81,000
Title IV Safe & Drug Free (84,186A)	4400	-	-	24,942	24,942
Special Ed Pre School (84,173A)	4600	-	178,679	-	178,679
Special Ed IDEA Flow-Thru	4620	-	3,105,203	-	3,105,203
Voc Ed Perkins Title IIC (84,048A)	4745	157,386	-	-	157,386
McKinney Ed for Homeless (84,196A)	4920	-	-	289,850	289,850
		<u>\$ 710,414</u>	<u>\$ 4,287,323</u>	<u>\$ 1,600,667</u>	<u>\$ 6,598,404</u>

See accompanying Independent Auditors' Report.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
FEDERAL COMPLIANCE SECTION

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION NO. 26
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant Number	Expenditures
U.S. Department of Education			
Teaching American History	84.215X	U215X050143	\$ 209,480
<i>Passed through Illinois State Board of Education (ISBE)</i>			
Title IV - Safe and Drug Free Formula		07-4400-00	\$ 23,454
Title IV - Safe and Drug Free Formula		06-4400-00	1,399
Total Title IV - Safe and Drug Free Formula	84.186A		<u>\$ 24,853</u>
McKinney Education for Homeless Children		07-4920-00	\$ 282,543
<i>Passed through Adult Learning Resource Center</i>			
McKinney Education for Homeless Children		07-4920-00	32,598
McKinney Education for Homeless Children		06-4920-00	1,162
(M) Total McKinney Education for Homeless Children	84.196A		<u>\$ 316,303</u>
<i>Passed through Illinois State Board of Education (ISBE)</i>			
Even Start		07-4335-00	\$ 81,000
Even Start		06-4335-00	4,115
Total Even Start	84.213C		<u>\$ 85,115</u>
<i>Passed through Illinois State Board of Education (ISBE) and Peoria County Regional Office of Education #48</i>			
Title II - Teacher Quality	84.367A	07-4932-00	<u>\$ 4,467</u>
<i>Passed through Illinois Department of Human Services (IDHS)</i>			
(M) Special Education - Grants for Infants and Families with Disabilities		711G2072721	\$ 294,787
Special Education - Grants for Infants and Families with Disabilities (non-cash)		711G2072721	<u>83,049</u>
Total Special Education - Grants for Infants and Families with Disabilities	84.181		<u>\$ 377,836</u>
Total Federal Awards			<u><u>\$ 1,018,054</u></u>

(M) audited as a major program

The accompanying notes are an integral part of this schedule.

HANCOCK/MCDONOUGH REGIONAL OFFICE OF EDUCATION #26
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Hancock/McDonough Regional Office of Education #26 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in conformance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. DESCRIPTIONS OF FEDERAL PROGRAMS AUDITED AS A MAJOR PROGRAM

The major federal programs of the Hancock/McDonough Regional Office of Education #26 are the Special Education – Grants for Infants and Families with Disabilities (CFDA # 84.181) and the McKinney Education for Homeless Children (CFDA # 84.196A). These funds are used to assist in providing early intervention services for infants and toddlers with disabilities and their families and to ensure that homeless children and youth have equal access to the same free, appropriate public education as other children, respectively.

3. SUBRECIPIENTS

Of the expenditures in this schedule, the Hancock/McDonough Regional Office of Education #26 provided awards to subrecipients in the amount of \$195,545 under the McKinney Education for Homeless Children program.

4. NON-MONETARY FEDERAL AWARDS

The Hancock/McDonough Regional Office of Education #26 provides screening services to individuals as part of its special education program. The Illinois Department of Human Services (DHS) provides benefits to those individuals, based on the results of the screenings. DHS has determined that these non-monetary federal awards amounted to \$83,049, which has been included in the Schedule of Expenditures of Federal Awards.

5. INSURANCE

The Hancock/McDonough Regional Office of Education #26 did not receive any Federal awards involving insurance with continuing compliance requirements.

6. LOANS AND LOAN GUARANTEES

The Hancock/McDonough Regional Office of Education #26 did not receive any Federal awards involving loans or loan guarantees with continuing compliance requirements.